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IN THE

Supreme Court of the United States

October Term, 1963
No. 885

DROP DEAD CO., INC., a corporation doing business as PARAMOUNT CHEMICAL CO., and PARAMOUNT SALES CO.; WESTERN FILLING CORP., a corporation; FRANK G. MARSHALL, HUGH G. MARSHALL and JAMES G. CHRISTENSON,

Petitioners,

vs.

S. C. JOHNSON & SON, INC., a corporation,

Respondent.

Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit.

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S. C. JOHNSON & SON, INC., a corporation,

Respondent.

Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit.

To the Honorable, the Chief Justice and the Associate Justices of the Supreme Court of the United States:

Appellant-Petitioners, Drop Dead Co., Inc., Paramount Chemical Co., Paramount Sales Co., Western Filling Corp., Frank G. Marshall, Hugh G. Marshall and James G. Christenson, respectfully, petition this Court for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit to review the decision of that Court filed December 3, 1963, in the above entitled cause, affirming the interlocutory judgment of the United States District Court for the Southern District of California.

Opinions Below.

The opinion of the United States District Court for the Southern District of California (Appendix A attached hereto) is reported in 210 F. Supp. 816.

The opinion of the Ninth Circuit Court of Appeals affirming the judgment of the District Court (Appendix B attached hereto) is reported at 326 F. 2d 87.

Jurisdiction.

This is an action in which injunctive relief and money damages were sought for alleged infringement of copyright, trademark and for unfair competition [R. 5-18].

Judgment was entered in the District Court granting an interlocutory injunction pending the determination of damages by a Master in accordance with the decision of the Court awarding *both* statutory and compensatory damages and attorneys' fees, and finding the petitioners guilty on all counts [R. 58-68].

Petitioners appealed to the Ninth Circuit Court of Appeals which entered its opinion December 3, 1963, affirming the judgment of the District Court (Appendix B).

Jurisdiction is conferred on this Court by 28 U. S. C., Section 1254(1).

Questions Presented.

I.

Whether a design consisting of a serrated oval and an ordinary oval beneath the serrated oval, superimposed on a split color label, can legally be said to have the originality required by Article I, Section 8 of the Constitution of the United States for copyrightability.

II.

Whether directions as to how to use a product printed on the label identifying the product are a writing on which a valid copyright could issue under Article I, Section 8, Constitution of the United States.

III.

Whether the powers of the Congress permit it to extend jurisdiction to the Federal courts under the Commerce Clause of the Constitution of the United States to enjoin petitioners' sale of PROMISE furniture wax when petitioners' sole activity in this regard included:

(a) Total sales of $7,000.00 of PROMISE in the State of California, and

(b) Shipment of a single can of PROMISE across the state line for the sole purpose of "qualifying" to register the PROMISE mark under the Lanham Act."

IV.

Whether the monetary amount for diversity of citizenship jurisdiction is to be determined by the amount of damage to the respondent's good will, or by the value of the good will itself, where the two are not the same.

V.

Whether diversity jurisdiction can be conferred upon the Federal courts by stipulation of the parties where the jurisdictional facts do not appear in the record.

VI.

Whether the Ninth Circuit Court of Appeals had jurisdiction over an interlocutory appeal to determine the collateral question of the measure of damages when the District Court had already passed upon the matter and nothing remains but to enter a final judgment in accordance with the findings of the Master, pursuant to the measure laid down by the District Court.

Constitutional Provisions.

Constitution of the United States, Article I, Section 8:

"The Congress shall have Power . . .

"To regulate Commerce . . . among the several States . . .;

"To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

Statutes.

28 U. S. C. 1292(a)(1):

"(a) The courts of appeals shall have jurisdiction.

"(1) Interlocutory orders of the district courts of the United States . . . or of the judges thereof, granting, continuing, modifying, refusing

or dissolving injunctions, or refusing to dissolve or modify injunctions, except where a direct review may be had in the Supreme Court; . . ."

Statement of the Case.

Petitioners were found guilty of unfair competition, copyright infringement and trademark infringement by the District Court of the Southern District of California, Central Division.

The respondent manufactured and sold a wax product under the trademark name "PLEDGE" which also bore a label that had been registered in the Copyright Office. The label consisted of a design embodying a common geometrical symbol, the oval, superimposed upon a split color label, together with printed matter instructing in the use of the product and lauding its characteristics.

The petitioners sold a similar product with a similar label under the mark "PROMISE".

Whereas the respondent sold over $50,000,000 worth of the product PLEDGE and spent some $12,000,000 in advertising it, the petitioners sold only $7,000.00 worth of PROMISE, all in Southern California, and spent nothing in advertising [R. 246].

Prior to the appearance of the PLEDGE label on the market, the petitioners had used all of the elements contained therein on their own products [R. 211, 212, 217, 218], and these elements had been in public use for decades.

Petitioners and respondents signed a pre-trial statement in which it was admitted that "plaintiff and all defendants are of diverse citizenship." Nowhere in the record are there any facts to support this admission.

In its complaint the respondent alleged several grounds of Federal jurisdiction; all of which were denied by the petitioners in their answer.

The District Court rendered its opinion without any discussion of the jurisdictional question, notwithstanding that this question was raised and argued at some length by petitioners' counsel. The Court was much concerned about the respondent's property right in its "copyright", "trademark", and "goodwill", but no discussion was offered whatever about the petitioners' elemental right to be tried in the proper court.

The District Court's decree directed that a Master should determine (1) statutory damages; (2) an accounting of profits; and (3) attorneys' fees, all to be awarded to the plaintiff.

Petitioners filed their appeal with the Ninth Circuit Court of Appeals. The Ninth Circuit Court of Appeals rendered its opinion. Appendix B on December 3, 1963.

REASONS RELIED ON FOR GRANTING OF WRIT.

I.

The Court of Appeals Has Decided Important Questions of Federal Law Which Have Not Been but Should Be Settled by This Court.

A. The Supreme Court of the United States has never squarely decided the question of what matter on a label is entitled to receive copyright protection under the Constitution of the United States. The only case in which the Supreme Court has ever alluded to the subject was *Higgins v. Keuffel*, 140 U. S. 428, decided by the Court in 1891. In that case the Court stated, in what admittedly is dicta, that language used on a label that is textual and "used solely to laud the product and instruct in its use" is not copyrightable.

The court below refused to follow the dicta in the *Higgins* case, and on page 11, Appendix B, stated "that labels which go beyond a mere trademark are copyrightable; . . .". To substantiate its position the Ninth Circuit relied on *Rosenthal v. Stein* (9 Cir. 1963), 205 F. 2d 633 and *Bleistein v. Donaldson Lithographing Co.* (1903), 188 U. S. 239, 23 S. Ct. 298, 300, 47 L. Ed. 460. In the *Bleistein* case the subject of the copyright was a circus poster depicting three scenes of persons and objects which appeared as acts in the show. Petitioners agree that the three scenes of persons and objects on the circus poster in the *Bleistein* case were copyrightable subject matter, but disagree that the decision in this case is in any way applicable to the decision of whether respondent's PLEDGE label contains copyrightable matter.

It is believed that the dicta in the *Higgins* case states the copyright law correctly relative to labels, as does the *Bleistein* case pertaining to chromolithographs in which scenes including persons and objects are depicted. The court below has erroneously applied the *Bleistein* decision to a subject, namely labels containing only textual material used solely to laud the product and instruct in its use, for which it was never intended.

B. Still another matter on which this Court has never passed, but should, is the question of whether "use" in interstate commerce implies *bona fide* use, or whether mere colorable use is sufficient to invoke Federal legislation based upon the commerce clause of the Constitution. No case is ever likely to put the question in purer form than this one. As the Ninth Circuit Court said in its opinion at page 5, Appendix B, "One can of PROMISE with label attached was sent to New York in order to register the trademark PROMISE." All sales of the PROMISE product "being in Southern California."

It is no secret that trademark attorneys labor under the impression that their client need only ship one can across a state line to be entitled to reserve a trademark under the Lanham Act for possible use in interstate commerce, not currently contemplated, and to prosecute a local infringer under the Lanham Act rather than under some state law. This results in the Patent Office being cluttered with an untold number of trademarks which are not *bona fides* in interstate commerce. The Ninth Circuit has now placed its stamp of approval on this practice with unmistakable overtones. It matters not how colorable the use, the Lanham Act is now

all pervasive and can be used to register in the United States Patent Office any local trademark. A farmer, selling his potatoes within ten miles of his farm under his own mark, has only to ship one potato in a package across the state line for the express purpose of registering the mark, and he immediately falls within the concept of "use" in interstate commerce.

This Court, discussing the commerce clause in *N.L.R.B. v. Jones and Laughlin Steel Corp.*, 301 U. S. 1, 37 (1937) said:

> ". . . the scope of this power must be considered in the light of our dual system of government and may not be extended so as to embrace effects upon interstate commerce so indirect and remote that to embrace them, in view of our complex society, would effectually obliterate the distinction between what is federal and what is local and create a completely centralized government."

The Ninth Circuit opinion now obliterates any distinction between local trademarks and Federal trademarks. Now any trademark is only a parcel post package away from being a Federal mark. Surely the pervasive concept of interstate commerce does not require that we lose all power to distinguish between actual and colorable use in interstate commerce. Is a party who sells and buys all of his product wholly within one state any the less in intrastate commerce because he seeks to avail himself of the advantages of Federal legislation by a subterfuge? The fact that this subterfuge is widely condoned and practiced in the belief that it is highly proper, makes it no less a subterfuge. The fact that it is so widely practiced, should be reason enough for this Court now to call a halt to this traffic in formalism.

II.

The Decision of the Court of Appeals Conflicts With Applicable Decisions of This Court.

A. The Ninth Circuit Court refused to review the interlocutory judgment of the District Court as to whether the measure of damages was proper. This Court, in *Cohen v. Beneficial Industrial Loan Corp.*, 337 U. S. 541 (1949), discussed the Congressional policy behind 27 U. S. C. 1292(a)(1), and Mr. Justice Jackson, speaking at pages 545-546, said:

> "We conclude that the matters embraced in the decision appealed from are not of such an interlocutory nature as to affect, or to be affected by, decision of the merits of this case.
>
> "This decision appears to fall in that small class which finally determine claims of right separable from, and collateral to, rights asserted in the action, too important to be denied review and too independent of the cause itself to require that appellate consideration be deferred until the whole case is adjudicated. The Court has long given this provision of the statute this practical rather than a technical construction."

The District Court ruled that the respondent was entitled to *both* an accounting of profits and statutory damages. But as this Court pointed out in *F. W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U. S. 228 (1952), the statute permits the trial court to decide between an accounting *or* statutory damages, but not both. There is no doubt that the District Court's ruling is wrong, and petititioners are certain that the Circuit Court so believed. Nevertheless, the Circuit

Court ruled that it did not have jurisdiction at this time to rule on the question.

Notwithstanding that the Supreme Court of the United States has ruled in the *Cohen* case that "Section 1292 allows appeals . . . from orders other than final judgments when they have a final and irreparable effect on the rights of the parties," the Circuit Court declines so to determine, and declines even to discuss the *Cohen* case. But, surely, where a Supreme Court case discusses the point, and appears to determine it favorably to the petitioners, the petitioners are entitled to the courtesy, if not the legal requirement, of being told why the Circuit Court does not consider itself bound by that decision.

The refusal of the Ninth Circuit Court of Appeals even to discuss the *Cohen* case in its ruling is another example of the "sidestepmanship" which the Ninth Circuit has commended and practiced in this case.

B. The decision of the Ninth Circuit conflicts with expressions of this Court on the matter of "pendent" jurisdiction on the unfair competition count. In *Armstrong Paint & Varnish Works, v. Nu-Enamel Corp.*, 305 U. S. 315 (1938), the Court in a single sentence put the entire matter very succinctly when it said:

> "Once *properly obtained*, jurisdiction of the one cause of action, the alleged infringement of the trademark, persists to deal with all grounds supporting it, including unfair competition with the marked article." (Emphasis added).

Yet, the Ninth Circuit opinion lacks the sophistication to distinguish between jurisdiction of the primary cause "properly obtained" and so-called "pendent" juris-

diction where there is no jurisdiction over the primary cause. The Court speaks of the "validity" of the copyright and trademark, but in dictum indicates by implication that *even if invalid* the Court would have jurisdiction to hear the unfair competition cause because it is "pendent" and cites at page 16 of its opinion (Appendix B) the *Nu-Enamel* case in support of that amazing conclusion.

It is obvious that if the constitutional fact requirement of matter contributing to a useful art, and of originality, are lacking, jurisdiction over the copyright cause is not "properly obtained." Likewise, if there is no interstate commerce, jurisdiction over the trademark cause is not "properly obtained." Under these circumstances, how can there be "pendent" jurisdiction? Pendent to what? To causes over which the Court has no jurisdiction? Yet, this distinction, so fundamental to the *Nu-Enamel* discussion of pendent jurisdiction, never penetrates the opinion of the Ninth Circuit. It is one thing to say that pendent jurisdiction obtains over the unfair competition cause even though the court has determined that the copyright or trademark is invalid because it does not meet certain statutory requirements, and quite another to say, as the Ninth Circuit has said, that it obtains even though the Constitutional jurisdictional facts may be missing. Congress can waive the statutory facts, but neither it nor the courts can waive the Constitutional facts. Pleading in "good faith" does not supply the missing *facts* upon which jurisdiction must rest by reason of the Constitution of the United States.

C. Probably the most novel doctrine of all of the many that are introduced by the Ninth Circuit opinion

is that which holds that sales of $7,000.00 "standing alone" have a substantial effect on interstate commerce. Although discussing an entirely different question, even the Supreme Court of the United States, in *United States v. Yellow Cab Co.*, 332 U. S. 218 (1947) felt obliged to relate its discussion to the trade concerned. In that case the Supreme Court determined that the sale of 5,000 cabs in four different cities was an "appreciable part of interstate commerce." But it did not presume to say that 5,000 of anything standing alone was an appreciable part of interstate commerce. Yet, now we come to an opinion of the Ninth Circuit which tells us that sales of $7,000.00 "standing alone" has a "substantial effect" on interstate commerce.

The Ninth Circuit Court did not see fit to relate this sale of $7,000.00 wholly in Southern California to the multi-billion dollar wax polish industry. It did not see fit even to relate this $7,000.00 to the sale of over $50,000,000 during the same period of time by the respondent. This is not only a departure from the applicable procedure by the Supreme Court of the United States and by every other court in the land, but it is a departure from the procedure of the Ninth Circuit itself, laid down in *Fairway Foods v. Fairway Markets* (9 Cir. 1955), 227 F. 2d 193, where the Court said:

> "While it is true that activities which in isolation might be deemed local, may affect commerce due to interlacings of business across state lines, in absence of showing that the business is part of a coordinated interstate system substantially affecting commerce, the activities of retail grocers purchasing and selling their wares exclusively intrastate are not a permissible field for Congressional regulation under the commerce power."

Compare this with the language in the Ninth Circuit opinion of which petitioners complain. There, at page 15 of the opinion the Court says:

> "Seven thousand dollars of sales in Southern California can substantially affect appellee's sales, at least by $7,000.00 (if not more because of a possible resulting loss of goodwill, especially where there is direct copying and direct competition). But, *standing alone, is not $7,000.00 'substantial'?*" (Emphasis added).

The complaint in this case [R. 6] shows on its face that the petitioners' product was prepared at 6423 Bandini Boulevard, Los Angeles, by the Western Filling Corp., and the opinion of the Ninth Circuit at page 5 recites that all sales were in Southern California, all sales being $7,000.00. Now the question is simply this: Is there not some inconsistency between saying that hundreds of thousands of dollars of grocery products sold in Southern California are outside the permissible field for Congressional regulation, but $7,000.00 worth of wax polish sold wholly within Southern California are within the permissible field of Congressional regulation? Obviously, there is an inconsistency, but when asked about it, the Ninth Circuit merely observed, without demonstrating, that "*Fairway Foods v. Fairway Markets*, 9 Cir. 1955, 227 F. 2d 193, which appellants cite in opposition to this point is not factually or legally similar.". Petitioners leave to this Court whether wax polish and grocery products are factually dissimilar; and whether the language recited above is legally dissimilar.

D. In its complaint the respondent pleaded merely that the individual defendants were each a "resident"

and "inhabitant" of California, without pleading that they were citizens of California [R. 6-7]. Your petitioners pointed out to the Ninth Circuit that in its own opinion, *Mantin v. Broadcast Music, Inc.*, 244 F. 2d (1957), it had ruled that such an allegation was inadequate to sustain a finding of diversity of citizenship.

The Ninth Circuit replied to this by saying at page 16 of its opinion,

> "We are satisfied that the parties are of diverse citizenship. The fact was admitted by the parties and set forth in the pretrial order (R 28)."

The Ninth Circuit recognized that the record was wholly devoid of any evidence of diversity of citizenship, but declared that it was satisfied that there was diversity of citizenship because "the fact was admitted by the parties and set forth in the Pre-Trial Order." The ruling of the Ninth Circuit that parties may admit the ultimate jurisdictional facts, is clearly contrary to many expressions of the Supreme Court of the United States. In *Lehigh Mining & Manufacturing Company v. Kelly* (1895), 160 U. S. 327, Mr. Justice Harlan, speaking, at pages 336-337 of the opinion said:

> "But when the inquiry involves the jurisdiction of a Federal court,—the presumption in every state of a cause (is) that it is without the jurisdiction of a court of the United States, unless the contrary appears from the record."

It has been determined beyond any shadow of doubt that jurisdiction cannot be affected by waiver or conferred by agreement of the parties, as indicated in *Mitchell v. Maurer*, 293 U. S. 237. In *McNutt v. General Motors Acceptance Corporation* (1936), 298

U. S. 178, Mr. Chief Justice Hughes, speaking at page 785 said:

> "The prerequisites to the exercise of jurisdiction are specifically defined and the plain import of the statute is that the District Court is vested with authority, *to inquire at any time* whether these conditions have been met. They are conditions which must be met by the party who seeks the exercise of jurisdiction in his favor. He must allege in his pleading the facts essential to show jurisdiction. If he fails to make the necessary allegations he has no standing. If he does make them, an inquiry into the existence of jurisdiction is obviously for the purpose of determining whether the facts support his allegations. In the nature of things, the authorized inquiry is primarily directed to the one who claims that the power of the court should be exerted in his behalf. As he is seeking relief subject to this supervision, it follows that *he must carry* throughout the litigation the burden of showing that he is properly in court. The authority which the statute vests in the court to enforce the limitations of its jurisdiction precludes the idea that jurisdiction may be maintained by *mere averment or that the party asserting jurisdiction may be relieved of his burden by any formal procedure.*"

It is perfectly obvious that an admission of the parties that the suit involved the jurisdictional amount of $10,000.00 would not serve to confer jurisdiction if it did not appear affirmatively from the record that the suit did *indeed* involve $10,000.00. It is just as obvious that an admission of the parties that they are of diverse

citizenship does not serve to cure a record devoid of any such indication. The Ninth Circuit's opinion is clearly contrary to this Court's ruling in the *McNutt* case that no formal procedure can relieve a party of his burden of proving the existence of jurisdictional facts. Since the parties cannot by stipulation or admission confer jurisdiction on the Federal courts it is apparent that any such admission in a Pre-Trial Order, unsupported by facts in the record, does not serve to give the Federal courts jurisdiction of the cause.

III.

Until Now There Has Been No Conflict in the Circuits on the Point in Issue, but the Ninth Circuit Opinion Now Raises a Conflict With Other Circuits.

A. For many years the law as it applied to copyright on labels was definitely summed up by the Eighth Circuit in *Fargo Mercantile Co. v. Brechet & Richter Co.*, 205 Fed. 823 (1924). At pages 827-828 the Court in *Fargo Mercantile* gave as authority for its position, the dicta in the *Higgins* case, which the Ninth Circuit in this case did not see fit to follow. As though this were not enough, however, the Ninth Circuit opinion at page 8 of that opinion cites the *Fargo Mercantile* case for the proposition that anything except the trademark on a label is copyrightable. Here again we find a complete lack of sophistication. The *Fargo Mercantile* case stands for the proposition that anything except the trademark *may* be copyrightable if it meets the *Higgins* requirement of being original and contributing to a useful art. Now the Ninth Circuit interposes the *Fargo Mercantile* case to mean that everything on a label is copyrightable except the trademark because it is *ipso*

facto on a label, and labels are copyrightable. It does try to save this position by saying that if a label has "some value" as a composition, it is no longer a "mere label." But here the Ninth Circuit again demonstrates its penchant for "sidestepmanship" by declining to identify the portion on the PLEDGE label which can be said to have "some value as a composition." The *Fargo Mercantile* and *Higgins* cases stand for the proposition that text matter which does no more than give instructions on the use of the product and laud its remarkable characteristics is not a contribution to the literary arts, and hence not a "composition." There is no other text matter on the PLEDGE label except laudatory phrases and instructions. The circuits are clearly in conflict.

B. The Seventh Circuit in *Seagram-Distillers Corp. v. New Cut Rate Liquors*, 245 F. 2d 453, (1957) and *Seven-Up Company v. Blue-Note, Inc.*, 260 F. 2d 584 (1958) ruled that for the value of the plaintiff's good will is not the proper measure of jurisdictional amount. If it were, it would mean that the multi-million dollar corporations could always spend more than $10,000 in building up the good will of their products, whereas the ordinary merchant, who may not be able to demonstrate how much he spent on good-will by receipted bills from high-powered advertising agencies, will be kept out of court. Obviously, this is no criterion on which to base jurisdiction. The Seventh Circuit says that jurisdiction must depend on the actual damage done the trademark at the time of the suit.

In any event, the Ninth Circuit now "sidesteps" the Seventh Circuit opinions by ruling that sales of $7,000.00 in competition with sales of $50,000,000 have

damaged the good will of the $50,000,000 seller in excess of $10,000.00. The Court in its opinion said,

> "Seven thousand dollars of sales in Southern California can substantially affect appellee's sales, at least by $7,000.00 (if not more because of a possible resulting loss of good will, especially where there is direct copying and direct competition.)"

It is apparent that if the sentence stands without what appears in the parentheses, then there have been only $7,000.00 worth of sales and the "appellee's sales" have been affected by $7,000.00 at most. This is below the jurisdictional amount. The Court suggests that perhaps the good will may be damaged in *excess* of $7,000.00. Loss to good will is measured by loss of sales. There is no other manner of measuring it. It is obvious that the total sales of $7,000.00 did not result from trademark infringement or confusion, and hence did not affect the appellee's good will. Some of it, if not almost all of it, can be attributed to the product itself and the desire of the public to buy the appellant's product and not the appellee's. The appellee showed confusion in connection with the sales of not more than two dozen cans. This is considerably less than $7,000.00

On no conceivable theory can the proven loss of sales of 24 cans that sell for $.79 per can [R. 260], be shown to have caused damage of over $10,000 (loss of sales) to the good will of the appellee. Such an inference must be an abuse of the court's discretion as a matter of law. Yet, the Ninth Circuit purports so to find, or at least to suggest the possibility. On no more than the suggestion of a possibility it finds that the jurisdictional amount is involved, notwithstanding the better reasoned and contrary opinions of the Seventh Circuit.

IV.

The Ninth Circuit Court of Appeals Has so Far Departed From the Accepted and Usual Course of Judicial Proceedings as to Call for an Exercise of the Supreme Court's Power of Supervision.

Had the Ninth Circuit limited its error merely to asserting that it need not consider the reasoning of the Supreme Court in dicta; that it need not follow the Seventh Circuit on the measure of damages; that it need not follow the Supreme Court of the United States and its own prior opinions in relating "substantial effect upon commerce" to the particular trade involved; that it need not follow the Supreme Court of the United States in determining what constitutes "originality" for copyright cases; that it need not follow or even refer to an opinion of the Supreme Court which *appears* to give it jurisdiction over collateral matters in an interlocutory appeal; and that Federal courts can have pendent jurisdiction, even though they have no Constitutional jurisdiction over the causes to which the pendent claim is related, contrary to the opinion expressed by the Supreme Court of the United States, the petitioners would chalk this up to bad judgment and not be too disturbed.

But when the Ninth Circuit so far departs from elemental principles of fair play as to disregard the appellants' points on appeal [R. 273-278], decide the case on appellee's statement of issues (opinion, p. 7, Appendix B), and commend the appellee for the fact that it "adroitly sidesteps the fundamental issue raised by appellants' first point," we have a much more serious grievance.

How can litigants be expected to respect a judgment of the court that commends one of the parties for "sidestepping" the issues? Since the Ninth Circuit could not identify any original element on the Pledge label, or any contribution to a useful art, it chose thoroughly meaningless language to answer the point. There can be nothing admirable or "adroit" in avoiding an opponent's argument by meaningless phrases. The case of *Stevens v. Continental Can Co., Inc.*, 308 F. 2d 100 (C.A. 6th, 1962) is an admirable example of how the issues can be met by a court instead of avoided. In that case the Court was faced with the same problem as in this. The question was whether a particular design had any originality. The design in question had greater novelty than mere geometric symbols, as here, but the Court had no hesitancy in deciding that there was no copyright protection for any such design. It did not seek to avoid the issue by saying that it was considering "the total embodiment of the numerous (i.e., two) elements" on the package. It named what it was considering. There were log marks superimposed on a wood grain background. The Court then discussed the copyrightability of this design. The petitioners were entitled to expect that the Ninth Circuit would do no less. It was considering a serrated oval and an ordinary oval on a split color background. But instead of discussing the copyrightability of this design in the same manner that the 6th Circuit discussed the design before it, the Ninth Circuit chose to approve the adroitness of respondents in sidestepping the fundamental issue.

If petitioners were wrong, they were entitled to have it demonstrated so that all who read the record would

know that they were wrong, not because the Ninth Circuit said so, but because the reasons why the Circuit Court believed them to be so were sound and available.

It is not essential that petitioners receive a favorable judgment, since in the law, some win and some lose. Defeat can be accepted in good grace if the party has knowledge that a fair consideration of the issues *raised by him* has been afforded. The Ninth Circuit opinion so far departs from what is expected of a court that petitioners are dismayed. Notwithstanding, for example, that the Court had before it the original transcript of the Reporter in which must have appeared the final argument of petitioners' counsel, where counsel argued the jurisdictional matter of copyright based on the *Higgins* case, the court chose to quote at page 8 of its opinion as an "admission" of the copyright validity, the statement of counsel that "The copyright, probably, is valid that they have, but it is not infringed by any act that the defendant has done." This statement was in the context of statutory and not Constitutional validity. It was nothing more than an admission that the plaintiff had acquired a piece of paper issued by the Copyright Office and had done so "validly." It was not an admission that the matter on the Pledge label was copyrightable. This the Court could readily have determined from the original transcript, since it does without saying that one cannot admit copyrightability and argue against it at one and the same time. Nor should the petitioners be criticised for not having that portion of the legal argument reproduced, since it is generally recognized that the argument of counsel is no proper part of the record. Nevertheless, being

before the Court in its original form, it is nothing less than a breach of faith for a court to disregard it and cite some isolated statement of counsel as having given away the legal argument which he later makes.

Conclusion.

The petitioners have never had a review of the points raised by them on appeal. They have had a review of points raised by the respondent. The petitioners are entitled to their day in court, and a Writ of Certiorari should issue on all questions herein raised in order that this may be done.

Respectfully submitted.

ALMON S. NELSON,
Counsel for Petitioners.

Of Counsel.
WILLIAM C. BABCOCK,
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APPENDIX A.

Memorandum Opinion.

In the United States District Court, Southern California, Central Division.

S. C. Johnson & Son, Inc., a Corporation, Plaintiff, vs. Drop Dead Co., Inc., a Corporation dba Paramount Chemical Co. and Paramount Sales Co.; Western Filling Corp., a Corporation; Frank G. Marshall, Hugh G. Marshall, and James G. Christenson, Defendants. No. 1113-59.

The above-entitled cause heretofore tried, argued and submitted is now decided as follows:

Upon the grounds stated in the "Comment" to follow judgment will be for the plaintiff as prayed for in the Complaint, the Court being of the view that plaintiff's copyright and trademark "PLEDGE" is valid and infringed and that plaintiff is entitled to injunctive relief and damages for copyright (17 U.S.C.A., § 13 et seq.) and trademark (15 U.S.C.A. §1051 et seq.) infringement (Count I of the Complaint) and unfair competition. (15 U.S.C.A., § 1126(b)(h)(i)) (Count II of the Complaint).

The determination of damages to be awarded is to be made by a Master to be appointed by the Court *after the interlocutory judgment shall have become final*, unless the parties prior thereto agree upon a reasonable royalty.

Costs to the plaintiff. Attorneys fees to be determined upon further showing.

Findings and interlocutory judgment to be prepared by counsel for the plaintiff under Local Rule 7.

COMMENT

Involved in this litigation is a label which has been made the subject of both copyright claim and trademark registration. A label which is not purely descriptive may be made the subject of copyright and trademark. (Callaghan v. Myers, 1888, 128 U.S. 617, 652; Higgins v. Keuffel, 1891, 140 U.S. 428, 435).

As the cases just cited and others to be referred to hold, three conditions are necessary to secure copyright: The deposit before publication of the printed title of the book; the insertion of the notice on the title page or the next page of the book; and the deposit of a copy of the book within three months after publication. (Booth v. Haggard, 8 Cir., 1950, 184 F.2d 470; Bobrecker v. Denebeim, D.C.Mo., 1939, 28 F.S. 383; Harr Alter Company v. Graves Refrigeration Inc., D.C. Ga., 1951, 101 F.Supp. 703, 705) As to trademarks practically the same conditions obtain, namely, deposit of notice, claim of trademark and use of the mark. (15 U.S.C.A. §1057 et seq.; United States Printing & Lithograph Company v. Griggs, Cooper & Company, 1929, 279 U.S. 156; Griesedieck Western Brewery Co. v. Peoples Brewing Company, D.C. Minn. 1944, 56 F.S. 600)

The plaintiff's mark involved in this case is valid and infringed whether the matter be considered under the law of copyright, the law of trademarks or the law of unfair competition. The mark is labeled "PLEDGE" The mark which the defendants adopted long after the plaintiff began using theirs is "PROMISE". Both relate to a spray-on type wax furniture polish and cleaner. The chemical content of the products is not involved. We are concerned only with the imitation of the label.

At the time this action was instituted the imitation of the label by the defendant was so slavish that even the color scheme and the contrast between the letters on the cans and labels were imitated. Later the color scheme of the defendants' label was changed but the word "PROMISE" remained and the label also continued to use descriptive material which was palpably copied from the plaintiff's label and descriptive matter on it.

Seventeen witnesses, mostly housewives who purchase products of the type to which the labels were attached, testified that the presence of the defendants' product on the same shelf in the markets as the plaintiff's product caused confusion in their minds and led them to believe the imitated product of the defendants to be a *new* product marketed by the plaintiff. So we have *actual* confusion of source.

Being of the view that the label of the plaintiff is valid, both under trademark and copyright law, and that the slavish imitation of it by the defendants is violative of the plaintiff's rights under those branches of the law as well as under the law of unfair competition, I have concluded that the plaintiff is entitled to judgment under both causes of action as instituted.

Indeed, it is difficult to understand under what legal theory the defendant can, with impunity, appropriate the result of the creative labor of others in this field. Hence the ruling above made.

Dated this 1st day of November, 1962.

Leon R. Yankwich
Judge.

APPENDIX B.

Opinion of the United States Court of Appeals for the Ninth Circuit.

United States Court of Appeals, for the Ninth Circuit.

Drop Dead Co., Inc., a corporation doing business as Paramount Chemical Co., and Paramount Sales Co.; Western Filling Corp., a corporation; Frank G. Marshall, Hugh G. Marshall and James G. Christenson, Appellants, vs. S. C. Johnson & Son, Inc., a corporation, Appellee. No. 18,414.

Dec. 3, 1963.

Before: Barnes and Jertberg, Circuit Judges, and Jameson, District Judge.

Barnes, Circuit Judge:

Plaintiff-appellee brought suit against defendants-appellants for unfair competition and for infringement of a copyright and a trademark. The district court granted a permanent injunction on all three grounds and retained the issue of damages to be determined by a master after the interlocutory judgment became final. (210 F. Supp. 816) Appellant appeals from that interlocutory judgment. This court has jurisdiction of the appeal pursuant to 28 U.S.C. 1292(a)(1). The jurisdiction of the district court is an issue in this appeal and will be discussed later.

Plaintiff-appellee is a Wisconsin corporation producing primarily what is commonly known as "Johnson's Wax," and manufacturing a variety of household products, one of which is an aerosol furniture wax named PLEDGE. Plaintiff registered its PLEDGE trademark (Reg. No. 668,526) and secured a copyright cer-

tificate for its PLEDGE LABEL. Plaintiff began using the PLEDGE trademark on January 31, 1958, and the PLEDGE label on March 15, 1958.

Appellant Drop Dead Co., Inc., is a California corporation. One of the household products which it manufactures is an aerosol furniture wax called PROMISE. The three individual defendants-appellants are the officers and sole owners of appellant Drop Dead Co. Appellant Western Filling Corp. is a California corporation which fills and labels the PROMISE aerosol containers. Appellants first used the trademark PROMISE and a label similar to appellee's PLEDGE label on aerosol cans on about July 20, 1959. The similarity of the labels is readily seen in the Exhibits G and T-10, and the picture opposite page 3 of appellee's brief. After commencement of the action in the district court appellants modified their label to that shown as Exhibit H, but continued to use the PROMISE trademark.

Since first adopting its trademark PLEDGE, appellee has sold over $50,000,000 of its product, and has spent over $12,000,000 advertising it. Such sales and advertising have been nationwide. Since adopting its PROMISE trademark, appellants have sold about $7,000 of the product, all sales being in southern California. One can of PROMISE with label attached was sent to New York in order to register the trademark PROMISE.

Certain findings of the trial court are significant, and unattacked on this appeal. They are:

> "24. Defendants' Promise product, as originally sold, was marketed in a label closely simulating plaintiff's Pledge label as to color, layout, design and wording."

"25. Defendants' original Promise label was copied from and is a slavish copy of plaintiff's Pledge label. The palpable copying of the wording on the label discloses the intention of defendants to appropriate plaintiff's Pledge Label."

"27. Subsequent to the filing of this action, defendants modified their Promise label to eliminate the slavish copying of color and design from plaintiff's Pledge label, but defendants' modified label continued to use the trademark Promise."

Likewise, in its memorandum opinion the trial court stated:

"At the time this action was instituted the imitation of the label by the defendant was so slavish that even the color scheme and the contrast between the letters on the cans and labels were imitated. Later the color scheme of the defendants' label was changed but the word 'Promise' remained and the label also continued to use discriptive material which was palpably copied from the plaintiff's label and discriptive matter on it."

In neither their "Statement of Points on Which Appellants Intend to Rely" nor in their briefs nor in oral arguments do defendants question the district court's findings of fact:

(1) that defendants deliberately copied plaintiff's PLEDGE label (R. 62);

(2) that defendants adopted and used the trademark PROMISE for the purpose of trading upon the good will built up in plaintiff's PLEDGE trademark (R. 63);

(3) that the confusion which existed among purchasers was caused (and was likely to be caused) by

defendant's use of the trademark PROMISE, and of the original label for PROMISE (R. 63-64).

Remedies for the copying of a copyrighted work are created by the Copyright Act, 17 U.S.C.A. 101 (*Mazer v. Stein* (1954) 347 U. S. 201, 218), and the use of a trademark or label likely to cause confusion of source is prohibited by the law of trademark infringement (15 U.S.C. § 1114(1)) and the law of unfair competition (*Audio Fidelity, Inc. v. High Fidelity Recordings, Inc.*, 9 Cir. 1960, 283 F.2d 551, 555). Since the findings of deliberate copying and likelihood of confusion are unchallenged on this appeal, unless defendants show that plaintiff's copyright is invalid or that the district court was without jurisdiction, or unless the defendants convince this court on their allegations raised in issues (4), (5) or (6) below, the judgment of the district court issuing the injunction should be affirmed.

The issues are framed thus by appellee: (Br. 5)

(1) Is the plaintiff's copyright of its PLEDGE label valid?

(2) Did the district court have jurisdiction of plaintiff's claim of trademark infringement?

(3) Did the district court have jurisdiction of plaintiff's claim of unfair competition?

(4) Did the district court err in receiving and considering evidence of defendants' use of the trademark PROMISE on the modified label?

(5) Is the plaintiff barred from relief in this action by alleged violations of the anti-trust laws?

(6) Does this court have jurisdiction on this appeal to modify the discretionary monetary awards of the dis-

trict court (and if so, did the district court abuse its discretion)?

We discuss each in turn:

I

Is plaintiff's copyright of its PLEDGE label valid?

Defendants obviously copied the laudatory and instructional words of the PLEDGE label as well as the design. The discussion of the textual and design material will be separate here.

The first issue concerning the validity of the copyright is whether appellants can raise that issue at this time.

Appellants admitted during the trial that the copyright and the trademark were valid.[1] Appellee points out that if an issue is conceded below it cannot be raised on appeal. *Wilson v. Byron Jackson Co.*, 9 Cir. 1937, 93 F.2d 572, 573n2; *Aetna Life Ins. Co. v. Carrillo*, 5 Cir. 1947, 164 F.2d 883, 884; *Andrews v. St. Louis Joint Stock Land Bank*, 8 Cir. 1942, 127 F.2d 799, 804; and *Edward B. Marks Music Corp. v. Continental Records Co.*, 2 Cir. 1955, 222 F.2d 488, 492, cert. den. 350 U. S. 861. There the Second Circuit said:

> "But a plaintiff in his opposition to a motion for summary judgment cannot abandon an issue and

[1] "You bring up the validity of the trademark Pledge. I don't think there is any question but what the plaintiffs here have a registration on Pledge as a notation to use on a wax product.

"The copyright, probably, is valid that they have, but it is not infringed by any act that the defendant has done.

"In short, your Honor, the defendants' position is not that plaintiff's copyright is invalid or plaintiff's trademark is invalid, the defendants' position is that they have never infringed the trademark and they have never infringed the copyright, on the basis of the cases that I cited to you at the beginning of my oral argument, your Honor."

then, after an unpalatable decision by the trial judge, on appeal, by drawing on the pleadings, resurrect the abandoned issue."

Appellants reply that:

"The admission , . . can have no effect on appellants' right to raise a question of constitutional validity here. Constitutional jurisdictional facts cannot be waived by the parties. Matter which, for constitutional definition is not copyrightable, is outside the authority of Congress and the courts, and is always a matter in issue." (Reply Br. 1)

We will assume for the purpose of this discussion that whether waived below or not, appellants' objection upon jurisdictional grounds can be raised here; and if sound, appellants can, at the least, demand a new trial.

The copyright material was not copyrightable, say appellants, because the language used on the label was textual and "used solely to laud the product and instruct in its use." Appellants maintain: (a) that the copyright office is a mere depository, (b) that there is no discretion in the copyright office, as there is in the patent office, as to what is copyrightable and what is not, (c) that the Copyright Act itself gives little guidance, (d) that the case law gives little aid because of "loose language"[2] (e) that the courts should strictly follow what admittedly is dicta in *Higgins v. Kaufel*, 140 U. S. 28 (1891); (f) that the courts have uniformly been wrong in referring to Mr. Justice Holmes' opinion in *Bleistein v. Donaldson Litho. Co.*, 188 U.S.

[2] As, for example, in *Dorsey & Rich v. Bristol Savings & Loan Corp.*, 29 F.Supp. 777, 778, D.C.W.D.Va. 1939.

239 (1903) as establishing a "new and liberal" standard."[3] All this, say appellants, is not enough.

Yet, in *Rosenthal v. Stein*, 9 Cir. 1953, 205 F.2d 633, this court stated:

> "An opinion on copyright would be unusual indeed that did not mention the case entitled *Bleistein v. Donaldson Lithographing Company*, 1903, 188 U. S. 239, 23 S.Ct. 298, 300, 47 L.Ed. 460. This is the celebrated circus poster case in which Justice Holmes discoursed upon art and copyrights. Plaintiff sued defendant to recover the penalties prescribed for infringement. The objects copyrighted were chromolithographs which, as circus posters, were especially adapted to advertise 'Wallace' shows. After Wallace had 'given them up' they were 'used by less pretentious exhibitions * * *.' The trial court found for the defendant. It has been suggested that the posters could not be the subjects of legal copyright because they were not art and because they were *used* commercially. The court said, 188 U. S. at page 251, 23 S.Ct. at page 300, 'Again, the act, however construed does not mean that ordinary posters are not good enough to be considered within its scope. The antithesis to "illustrations or works connected with the fine arts" is not works of little merit or of humble degree. * * * it is "prints or labels designed to be used for any other articles of manufacture." Certainly works are not the less connected with the fine arts because their pictorial

[3] As mentioned in Ansehl v. Puritan Pharmaceutical Co., 8 Cir. 1932, 61 F.2d 131.

quality attracts the crowd, and therefore gives them a real use,—if use means to increase trade and to help to make money.'" (at pp. 635-636)

In *Doran v. Sunset House Distributing Corp.*, 197 F.Supp. 940 (S.D.Cal.1961), affirmed 304 F.2d 251, the district court stated:

"To be copyrightable, a work must be 'original' in that the author has created it by his own skill, labor and judgment. Dorsey v. Old Surety Life Ins. Co., 10 Cir. 1938, 98 F.2d 872, 119 A.L.R. 1250; Smith v. George E. Muehlebach Brewing Co., D.C.W.D.Mo. 1956, 140 F.Supp. 729. As stated in Alfred Bell & Co. v. Catalda Fine Arts, 2d Cir. 1951, 191 F.2d 99, 102:

'* * * "Original" in reference to a copyrighted work means that the particular work "owes its origin" to the "author." No large measure of novelty is necessary. * * *.

'* * * All that is needed to satisfy both the Constitution and the statute is that the "author" contributed something more than a "merely trivial" variation, something recognizably "his own." Originality in this context "means little more than a prohibition of actual copying." No matter how poor artistically the "author's" addition, it is enough if it be his own. *Bleistein v. Donaldson Lithographing Co.*, 188 U. S. 239, 250, 23 S. Ct. 298, 47 L.ED. 460.'

"Thus, it appears that the requirements for the 'originality' necessary to support a copyright are modest. The author must have created the work by his own skill, labor and judgment, contributing

> something 'recognizably his own' to prior treatments of the same subject. However, neither great novelty or superior artistic quality is required."

The trial court here heard of the effort and cost[1] that went into the design that was finally adopted by appellee. There was prima facie evidence of originality before the court, created by the issuance of the copyright. *Wihtol v. Wells*, 7 Cir. 1956, 231 F.2d 550, 553; *H. M. Kolbe Co. v. Armgus Textile Co.*, 184 F.Supp. 423, 424 (S.D.N.Y.1960) aff. *per curiam*, 2 Cir. 1960, 279 F.2d 555.

In *Universal Pictures Co. v. Harold Lloyd Corp.*, 9 Cir. 1947, 162 F.2d 354, this court said (in reply to an argument that the arrangement of that which was copyrighted was commonplace):

> "[O]riginality was displayed in taking commonplace materials and acts and making them into a new combination and novel arrangement which is protectible by copyright."

Appellee adroitly sidesteps the fundamental issue raised by appellants' first point by stating "Plaintiff . . . does not claim a *separate* copyright in the instructions and phrases." nor "the exclusive right to the use of ovals or gold foil as such"—but only demands "protection against copying of *the total embodiment* of the numerous elements of its entire original label." (Br. 17)

Plaintiff asserts it has shown the intent of defendants-appellants to copy its label; has demonstrated beyond doubt the original creation at some considerable expense of a label particularly and peculiarly embody-

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[1] Almost $8,000.

ing the numerous commonplace elements contained in it; that the worth and success of such combination "is sufficiently shown by the [appellants'] desire to reproduce them without regard to the plaintiff's rights," quoting from *Bleistein v. Donaldson, supra*, p. 251; and that the Copyright Act itself, 17 U.S.C. § 5, contemplates as copyrightable "prints and pictorial illustrations, including prints or labels used for an article or merchandise."

We agree. While, in view of the trial court findings that plaintiff's rights were violated under the copyright, trademark and unfair competition laws, any one cause of action found valid would justify affirming the judgment rendered below, we conclude the "liberal" rather than the "strict" rule of what constitutes copyrightable matter has been followed in the Ninth Circuit, and this case seems to us clearly one where the same result should follow.

We hold with the trial court the plaintiff's copyright of its PLEDGE label was and is valid. We agree with the reliance in *Fargo Mercantile Co. v. Brechet & Richter Co.*, 8 Cir. 1924, 295 Fed. 823, on the proposition that labels which go beyond a mere trademark are copyrightable; if a label has "some value" as a composition, it no longer is "a mere label." (*Higgins v. Keufel, supra*, at p. 431.)

II

Did the district court have jurisdiction of plaintiff's claim of trademark infringement?

There are three independent grounds upon which the district court might have had jurisdiction.

The first ground on which to base jurisdiction over the trademark infringement claim is that the name

PROMISE was used in commerce. Section 1338(a) of Title 28 provides:

> "The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trademarks."

Section 1114(1) of Title 15 provides that any person who, without consent of the registrant, "use[s] in commerce" any copy, colorable imitation, etc. of a registered mark on labels, etc. "which is likely to cause confusion," etc., shall be liable in a civil action by the registrant.

Section 1127 of Title 15 provides:

> "For the purposes of this chapter a mark shall be deemed to be *used in commerce* (a) on goods when it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto and the goods are sold or *transported in commerce*. . . ." (Emphasis supplied.)

Appellants sent one can of PROMISE, with the label appropriately attached, from Los Angeles to New York. It was thus "transported in commerce" and thus the district court had jurisdiction of the trademark infringement claim. *Miles Laboratories, Inc. v. Frolich*, 195 F.Supp. 256 (S.D.Cal. 1961), affirmed *per curiam*, 9 Cir. 1961, 296 F.2d 740; *New England Duplicating Co. v. Mendes*, 1 Cir. 1951, 190 F.2d 415.

Appellants attempt (Op.Br.46ff) to avoid this conclusion by the contention that the sending of the item for such use was not an *actual* use but only a *colorable* use, in that it was only transported to obtain the trademark. Appellants try to show that it is "plainly ap-

parent from the context [of the trademark statutes]" (15 U.S.C. § 1127) that colorable use was to be distinguished from actual use. However, we think that the statute makes no such distinction. Its language is clear. If the label is affixed and the goods transported in commerce, the mark is "used in commerce." The facts of *In re Mueller*, 132 U.S.P.Q. 688, differentiate it from this case, and the language therein relied upon by appellants is admittedly purely dicta.

Even if the district court did not have jurisdiction of the trademark infringement claim on the first ground, the second ground—tha. the activity of appellants substantially *affected* interstate commerce—is sufficient.

All one need show for a district court to have jurisdiction of such a claim is that the infringing mark has been used in commerce which Congress can regulate. 15 U.S.C. §§ 1114, 1127; *Stauffer v. Exley*, 9 Cir. 1950, 184 F.2d 962. The question then is whether Congress can regulate appellants' activity with PROMISE in Southern California. The Congress can regulate such activity, even though it is wholly intrastate, if it is "sufficiently substantial and adverse to Congress' paramount policy declared in the Act. . . ." *Mandeville Island Farms, Inc. v. American Crystal Sugar Co.* (1948), 334 U. S. 219, 234. We are satisfied that the district court had jurisdiction of the trademark infringement claim under both the first and second grounds. Seven thousand dollars of sales in Southern California can substantially affect appellee's sales, at least by $7.000 (if not more because of a possible resulting loss of goodwill, especially where there is direct copying and direct competition). But, standing alone, is not $7.000 "substantial"?

Fairway Foods v. Fairway Markets, 9 Cir. 1955, 227 F.2d 193, which appellants cite in opposition to this point, is not factually or legally similar.

The third possible ground of jurisdiction of the district court on this trademark infringement claim is that of diversity of citizenship. We are satisfied that the parties are of diverse citizenship. The fact was admitted by the parties and set forth in the pretrial order (R.28). And see *Del Monte Special Food Co. v. California Packing Corporation*, 9 Cir. 1929, 34 F.2d 774, 776; *Ross-Whitney Corp. v. Smith Kline and French Laboratories*, 9 Cir. 1953, 207 F.2d 190.

III

Did the district court have jurisdiction of plaintiff's claim of unfair competition?

There is no allegation that the district court was in error in finding that appellants had unfairly competed with appellee. The only question concerning unfair competition is whether the district court had jurisdiction to hear the unfair competition claim on its merits. We rely on *Armstrong Co. v. Nu-Enamel Corp.* (1938), 305 U. S. 315, 324-325, reh. den. 305 U. S. 675.[5] Jurisdiction existed.

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[5]There the court said:

"While the act of 1920 does not vest any new substantive rights, it does create remedies in the federal courts for protecting the registrations and authorizes triple damages for infringement. As a consequence of these remedial provisions, when a suit is begun for infringement, bottomed upon registration under the 1920 act, the district courts of the United States have jurisdiction. Unless plainly unsubstantial, the allegation of registration under the act is sufficient to give jurisdiction of the merits. In this case the trial court concluded that the invalidity of the trademark divested it of jurisdiction over unfair competition. This was erroneous.

IV

Did the district court err in receiving and considering evidence of defendants' use of the trademark PROMISE on the modified label?

Appellants argue that the complaint does not allege anything concerning the modified label which appellants adopted after the trial commenced. Of course, it could not because the modified label was not put into use until after the complaint was filed. Appellants thus argue that they were "not advised by the pleadings to prepare a defense concerning the modified label." (Op. Br. 68) They point out the district court considered the modified label in at least five of its findings of fact (27, 28, 29, 31, 34). They conclude that since it is impossible to determine at what point the court decided that there were infringements and unfair competition, the decision should be reversed and the case tried before a new judge. (Op. Br. 67-69)

Appellee counters with the facts that defendants themselves offered evidence concerning the modified label (R.228,232-234), and that the plaintiff offered evidence on the modified label without objection by appellants. Appellee cites cases for the proposition that evidentiary matters cannot be raised for the first time on appeal, and points out that the complaint pleads (R.14) the defendants' use of the trademark PROMISE and prays for an injunction against the use of

> "the trademark Promise or the Promise label as used by defendants, *or any colorable imitation*

Once property obtained, jurisdiction of the one cause of action, the alleged infringement of the trade-mark, persists to deal with all grounds supporting it, including unfair competition with the marked article."

thereof, in connection with the sale or offering for sale of wax or polishing products, or any similar or related products." (R.16) (Emphasis added)

Appellee also shows that the pretrial order, which supplemented the pleadings, included the issue of the use of the modified label as still confusing the public. (R. 35,41)

Appellants attempt to avoid these arguments of appellee by pointing out that the supplement to the pretrial order reserved the issue of whether the complaint stated a cause of action as to the modified label. (R.43)

The issue was made clear in the pretrial order, if not the complaint. We hold the district court was not in error in assuming that it was adequately alleged.

Secondly, even if the district court would not have been justified in so assuming, we hold that appellants are barred from raising the issue on appeal when they did not object to it below, and indeed offered their own evidence on the issue. There was adequate reason for the district court to assume that the parties considered that the use of the modified label was in issue. Appellants established beyond doubt they had notice of the issue, and adequate notice.

V

Is plaintiff barred from relief in this action by claimed violations of the anti-trust laws?

On this appeal and for the first time, appellants claim that appellee should be thrown out of court on the ground of unclean hands because of alleged violations of the anti-trust laws.

Since this issue was not raised below, it cannot be raised here. Federal Rules Civ. Proc. 12(h). Appellee was given no notice of the now claimed defense of violating the anti-trust laws.

But even were we to assume that appellants are not barred from raising the issue here, is there an adequate defense on the record before us?

Appellants claim that appellee is guilty of intending to monopolize the wax market, or some part of it anyway, in violation of § 2 of the Sherman Act, and by the use of trademarks, in violation of 15 U.S.C. §1115, which is § 33(b)(7) of the Lanham Act.[6] Appellants contend that this intent can be inferred from appellee's:

(1) registering multiple marks for wax products (Stride, Pride, Holiday, J-Wax, Kleen-Floor, Beauti-Floor, Pledge);

(2) mass advertising (about $12,000,000 in five years or so for Pledge alone);

(3) mass sales (over $50,000,000 in about five years or so for Pledge alone); and

(4) the bringing of infringement suits based on colorable similarity rather than on exact identity.

Appellants recognize that there is no case authority for their position, but cite a text by Toulmin[7] which is but one man's idea of what the law *may* some day

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[6] "(b) . . . the certificate shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce . . . except when one of the following defenses or defects is established:

"(7) That the mark has been or is being used to violate the antitrust laws of the United States."

[7] Toulmin, *Trade-Mark Handbook* (1957), p. 401.

be. The recognition of the author of this handbook as an expert in anti-trust law is not as widespread as is that of some other authors. Such a statement, without case authority and being a mere expression of opinion, adds little weight to appellants' argument. All of these acts described above are up to this date lawful acts, and constitute the sort of aggressive competition and promotion that anti-trust law seeks to protect, particularly within the limits of lawful monopolies granted by Congress "in its wisdom."

Appellants had a thousand words and an infinity of designs from which to choose for their product. Appellants chose to copy—an intentional act not disputed on this appeal. As we said in *Stork Restaurant v. Sahati*, 9 Cir. 1948, 166 F.2d 348, at 361:

> "There is no need for the appellees to appropriate the appellant's 'fanciful' or 'arbitrary' trade name.
>
> . . .
>
> "This thought that a newcomer has an 'infinity' of other names to choose from without infringing upon a senior appropriation runs through the decisions like a leitmotiv.
>
> "In Florence Mfg. Co. v. J. C. Dowd & Co., supra, 2 Cir., 178 F. at page 75, we find a classical statement of the principle: 'It is so easy for the honest business man, who wishes to sell his goods upon their merits, to select from the entire material universe, which is before him, symbols, marks and coverings which by no possibility can cause confusion between his goods and those of competitors, that the courts look with suspicion upon one who, in dressing his goods for the market, approaches so near to his successful rival that the public may fail to distinguish between them.'"

This brings us to appellants' last point:

VI

Does this court have jurisdiction on this appeal to modify the discretionary monetary awards of the district court, and if so, did the district court abuse its discretion?

Appellants claim that the district court abused its discretion in awarding statutory damages, an accounting of profits, and attorney's fees. This is disputed by appellee. This court presently has jurisdiction only as to the interlocutory judgment, which holds appellant liable. It does not deal with damages. We therefore will not rule on the point raised at this time. *Reeve Music Co. v. Crest Records, Inc.*, 2 Cir. 1960, 285 F. 2d 546; *Chappell & Co. v. Palermo Cafe Co.*, 1 Cir. 1957, 249 F.2d 77.

Finding no error, the interlocutory judgment is

Affirmed.

(Endorsed) Opinion Filed December 3, 1963.

Frank H. Schmid, Clerk.